



Ernie Fletcher
Governor

Mark David Goss
Chairman

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Commonwealth of Kentucky
Environmental and Public Protection Cabinet
Public Service Commission

John W. Clay
Commissioner

Timothy J. LeDonne
Commissioner
Department of Public Protection

211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460

NEWS RELEASE

Contact:
Andrew Melnykovich
502-564-3940, ext. 208
502-330-5981 (cell)

PSC ALLOWS EAST KENTUCKY POWER TO MODIFY GENERATING PLANT ON LAKE CUMBERLAND

Changes needed to keep plant in operation if water level falls further

FRANKFORT, Ky. (May 11, 2007) – The Kentucky Public Service Commission (PSC) is allowing East Kentucky Power Cooperative (EKPC) to modify its electric generating plant on Lake Cumberland in order to keep power flowing if the water level in the lake is lowered again.

The modifications, which will cost about \$24 million, include barge-mounted pumps to draw water from deeper in the lake and a cooling tower system that will significantly reduce water use at the 341-megawatt John Sherman Cooper Power Station near Somerset.

PSC Chairman Mark David Goss noted that although the PSC issued an order approving EKPC's application just two weeks after it was filed, the matter received a thorough review.

"We moved extraordinarily quickly in this case, but these are extraordinary circumstances," he said. "Keeping the Cooper plant operating is vitally important to the citizens and businesses of south-central Kentucky."

Loss of the Cooper station's output would raise costs for the customers of the 16 electric distribution cooperatives that purchase power from EKPC and could harm the area's economy by disrupting power supplies, Goss said.

The Army Corps of Engineers has lowered the water level in Lake Cumberland to an elevation of 680 feet while Wolf Creek Dam is being repaired to stop leaks. In February, the Corps of Engineers warned EKPC and others who use lake water that the level might have to be lowered another 30 feet in order to keep the dam stable.

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"I want to commend Chairman Goss and the PSC for the expedited review of the plans for the Cooper plant," said Teresa J. Hill, secretary of the Kentucky Environmental and Public Protection Cabinet. "The health and safety of the citizens in the Lake Cumberland area continues to be a top priority. The PSC, and all state agencies, are moving quickly to respond to the needs associated with the Corps decision to lower the lake."

Water intakes for the Cooper station are at 670 feet and cannot operate if the water level falls below 675 feet. The modifications EKPC is planning will allow Cooper to remain in full operation if water levels in Lake Cumberland fall to 650 feet and in partial operation at lower levels.

EKPC purchases a portion of the electricity generated by the hydroelectric plant at Wolf Creek Dam. A further lowering of the water level in Lake Cumberland would shut down not only the Cooper station, but the dam's generators as well.

Losing the generating capacity of both facilities would force EKPC to purchase costly power from outside sources, with the higher cost passed on to consumers. Even with the outside power, EKPC might be unable to meet peak demand, necessitating periodic power outages (rolling blackouts) in its service area in south-central Kentucky.

To keep the Cooper plant in operation, EKPC will spend nearly \$8 million for seven barge-mounted pumps that together will supply up to 70,000 gallons per minute of water to the flow-through cooling system for the smaller of the plant's two generating units. The pumps will also provide water for a cooling tower that will serve the larger unit.

Because a cooling tower recirculates water, the changes will reduce the plant's water use by more than half, from the current maximum usage of 150,000 gallons per minute. The cooling tower will cost \$15 million, and engineering work will add \$1 million to the cost of the project.

Completion of the project is expected by Dec. 31, 2007, the date by which the Corps of Engineers warned lake users to be ready for a possible lowering of the water level to 650 feet. EKPC plans to put three of the barge-mounted pumps into service this summer.

Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2007-00168.

The PSC is an independent agency attached for administrative purposes to the Department of Public Protection in the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the commonwealth of Kentucky and has approximately 110 employees.

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